

**Higher Education Employees Group Insurance Contributions
Summary of Recommendations - Senate**

Page III-41

Emily Schmidt, LBB Analyst

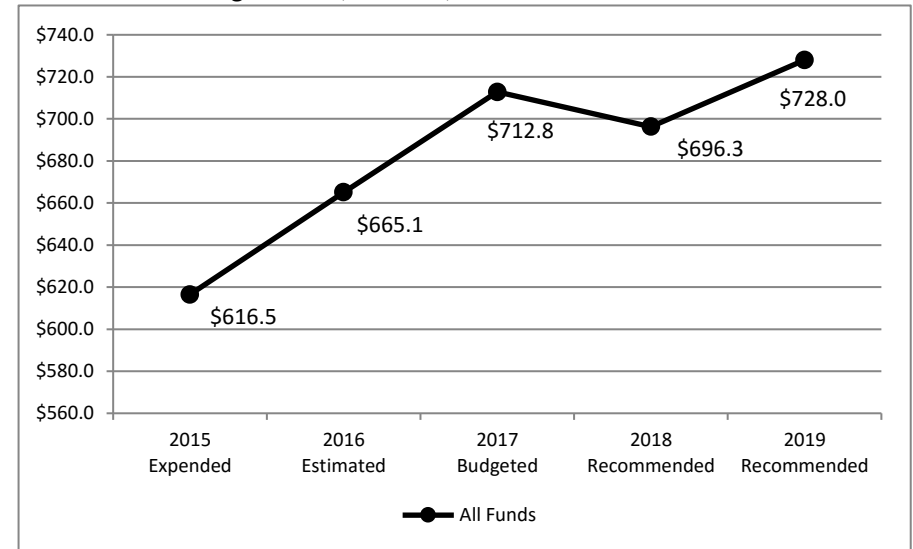
Method of Financing	2016-17 Base	2018-19 Recommended	Biennial Change (\$)	Biennial Change (%)
General Revenue Funds	\$1,377,887,070	\$1,424,326,551	\$46,439,481	3.4%
GR Dedicated Funds	\$0	\$0	\$0	0.0%
Total GR-Related Funds	\$1,377,887,070	\$1,424,326,551	\$46,439,481	3.4%
Federal Funds	\$0	\$0	\$0	0.0%
Other	\$0	\$0	\$0	0.0%
All Funds	\$1,377,887,070	\$1,424,326,551	\$46,439,481	3.4%

	FY 2017 Budgeted	FY 2019 Recommended	Biennial Change	Percent Change
FTEs			0.0	0.0%

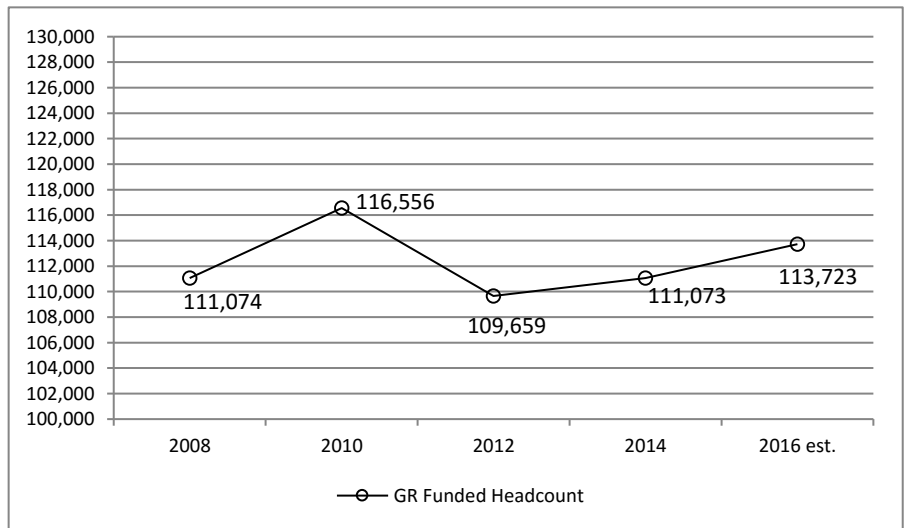
Agency Budget and Policy Issues and/or Highlights

The General Revenue amounts recommended here represent 100 percent of the direct state contributions appropriated to institutions of higher education for the purposes of paying group health insurance premiums. Institutions pay health care premiums proportionally from other fund sources to the degree they receive fund sources other than General Revenue. Any difference between actual premium cost and appropriated state contributions is paid by the institution.

Historical Funding Levels (Millions)



Historical General Revenue Funded Employee Headcount



The bill pattern for this agency (2018-19 Recommended) represents an estimated 100% of the agency's estimated total available funds for the 2018-19 biennium.

**Higher Education Employees Group Insurance Contributions
Summary of Funding Changes and Recommendations - Senate**

Funding Changes and Recommendations for the 2018-19 Biennium compared to the 2016-17 Base Spending Level (in millions)		General Revenue	GR-Dedicated	Federal Funds	Other Funds	All Funds	Strategy in Appendix A
<i>SIGNIFICANT Funding Changes and Recommendations (each issue is explained in Section 3 and additional details are provided in Appendix A):</i>							
A)	State Contribution, UT System	\$0.03	\$0.0	\$0.0	\$0.0	\$0.03	All Strategies in Goal A
B)	State Contribution, A&M System	(\$7.4)	\$0.0	\$0.0	\$0.0	(\$7.4)	All Strategies in Goal B
C)	State Contribution, ERS	\$7.3	\$0.0	\$0.0	\$0.0	\$7.3	Strategies C.1.1. - C.1.35.
D)	State Contribution, Community Colleges	\$46.4	\$0.0	\$0.0	\$0.0	\$46.4	C.1.36.
TOTAL SIGNIFICANT Funding Changes and Recommendations (in millions)		\$46.4	\$0.0	\$0.0	\$0.0	\$46.4	As Listed
<i>SIGNIFICANT Funding Increases</i>		\$53.8	\$0.0	\$0.0	\$0.0	\$53.8	As Listed
<i>SIGNIFICANT Funding Decreases</i>		(\$7.4)	\$0.0	\$0.0	\$0.0	(\$7.4)	As Listed

NOTE: Totals may not sum due to rounding.

**Higher Education Employees Group Insurance Contributions
Selected Fiscal and Policy Issues - Senate**

1. **HEGI Data Assumptions.** Recommendations are based on each institution's best estimate of actual enrollment as of December 1, 2016, and the institution's estimate of the General Revenue and General Revenue-Dedicated proportionality likely to be reported in the institution's fiscal year 2016 Accounting Policy Statement 011 (APS 011) report, as reported in each institution's Legislative Appropriations Request. Community colleges are not subject to proportionality requirements and therefore do not submit an APS 011 Report. Institutions are submitting actual enrollment and proportionality submitted in the APS 011 report to the LBB for the December 1, 2016 census date. Should the Legislature opt to use the updated census data and maintain the recommended rates, there will be a reallocation in funding among institutions and possibly in overall appropriations.
2. **Contribution Funding.** While premium contributions for general state employees are funded at 100 percent of Employee Retirement System (ERS) premium rates, since fiscal year 2004 the Legislature has provided a lower level of premium contributions for higher education employees. Recommended 2018-19 amounts maintain the 2016-17 General Revenue funding levels of \$1.06 billion for institutions of higher education other than the public community and junior colleges. LBB recommendations are consistent with the recommendations for ERS' general state employees by providing annual rate increases of 4.57 percent in 2018 and 4.56 percent in 2019.

Senate Bill (SB) 1812, 83rd Legislature, set the state contribution rate for community colleges at 50 percent of the full contribution rate in statute, therefore this rate can only change by legislation. Recommendations for the community colleges represent a 14.56 percent increase over 2016-17 General Revenue funding levels. This increase is a function of the cost increase due to ERS premium rates increases, as well as an increase in eligible community college employee enrollment. Please see Section 3a for a comparison of different proration rates and the resulting funding compared to the recommended 2018-19 funding level.

3. **Employee Headcount Trends.** For institutions of higher education (excluding community colleges), the total number of employees increased by 4.9 percent and the number of General Revenue funded employees increased by 2.15 percent from the previous biennium.

For community colleges, the total number of employees increased by 4.4 percent and the number of Instructional and Administrative (I&A) employees increased by 3.0 percent. However, because of the growth limitations established in SB 1812, the number of I&A employees eligible to receive HEGI contributions decreased by 4.5 percent from the I&A employee headcount prior to the growth limitations. The number of I&A employees eligible to receive HEGI contributions after the growth limitations increased 2.9 percent from the previous biennium. Schedules 3c and 3d provide additional detail on employee headcount trends for reference.

4. **Community College Petition Process.** SB 1812, 83rd Legislature, set the state contribution rate for HEGI contributions for community colleges at 50 percent of the compensation for eligible I&A employees. SB 1812 also stipulates that the number of employees eligible to receive HEGI contributions may not be adjusted in a proportion greater than the change in student enrollment at each institution. Institutions that experience a decline in enrollment may petition the LBB to maintain eligible employees up to 98 percent of the employee level of the previous biennium.

Recommendations are based on student enrollment and employee headcount growth limitations provided in statute, and includes maintaining hold harmless employee levels consistent with funding decision of using a stepped approach that was made in the 84th Legislature. The following table provides a summary of the number of community college districts that fall within four ranges of enrollment decline and the employee level hold harmless percentage applied to those districts. Total employee headcount reported for the 2018-19 biennium is 40,374, an increase of 3.02 percent from the previous biennium. Student enrollment, which is measured in contact hours, declined by 0.4 percent from the previous biennium. Because employee headcount changed at a rate greater than the change in student enrollment, the number of employees eligible to receive HEGI contributions is reduced to 38,549, or 4.5 percent.

Percent Decline in Enrollment	Number of Districts	Employee Level Hold Harmless
More than 2, up to 5 percent	7	98 percent (2 percent reduction)
More than 5, up to 10 percent	10	95 percent (5 percent reduction)
More than 10, up to 15 percent	1	90 percent (10 percent reduction)
More than 15 percent	0	85 percent (15 percent reduction)

5. **Kilgore College HEGI Appropriation Shortfall.** In June 2015, the LBB was notified that the employee headcount number for Kilgore College's group insurance enrollment was misreported by the community college. This resulted in the institution being under-appropriated in fiscal years 2016 and 2017. Based on analysis of corrected updated data, Kilgore College received approximately \$1.1 million less General Revenue in the 84th Legislative Session due to the incorrect data. Kilgore College has requested a supplemental appropriation for 2018-19 for this amount. The following table provides a summary of the appropriation shortfall.

HEGI Appropriations for Kilgore College

	FY 2016	FY 2017	Total
General Appropriations Act, 84 th Legislature	\$1,559,133	\$1,670,821	\$3,229,954
Recalculated – Corrected Data	\$2,077,545	\$2,226,407	\$4,303,952
Difference:	\$518,412	\$555,586	\$1,073,998

Summary of Recommendations and Potential Funding Options for HEGI Contributions to Institutions of Higher Education (IHE) - Senate

2018-19 Recommendations (2016-17 GR Levels, except Community Colleges)

	2016	2017	Biennium	2018	2019	Biennium	Biennial Percent Change
UT	\$ 221,789,578	\$ 237,691,890	\$ 459,481,468	\$ 224,631,342	\$ 234,879,921	\$ 459,511,263	0.01%
TAMU	\$ 115,379,437	\$ 123,652,147	\$ 239,031,584	\$ 113,245,822	\$ 118,412,561	\$ 231,658,383	(3.08%)
ERS – IHE	\$ 174,029,609	\$ 186,500,553	\$ 360,530,162	\$ 179,836,500	\$ 188,037,068	\$ 367,873,568	2.04%
Total	\$ 511,198,624	\$ 547,844,590	\$ 1,059,043,214	\$ 517,713,664	\$ 541,329,550	\$ 1,059,043,214	0%
Community Colleges (50%)	\$ 153,911,789	\$ 164,932,067	\$ 318,843,856	\$ 178,573,644	\$ 186,709,693	\$ 365,283,337	14.56%

Proration Rate Comparison – Maintaining 2016-17 GR Level

	2016-17 Rates	2018-19 Rates
UT	86.830%	76.270%
TAMU	86.830%	76.270%
ERS – IHE	89.215%	79.152%

Estimated Cost to Fund All Institutions at 2016-17 Premium Rates

	2018	2019	Biennium	Increase/(Decrease) from Recommendations
UT (86.830%)	\$ 255,732,788	\$ 267,400,348	\$ 523,133,136	\$ 63,651,668
TAMU (86.830%)	\$ 128,925,339	\$ 134,807,431	\$ 263,732,770	\$ 24,701,186
ERS – IHE (89.215%)	\$ 202,687,645	\$ 211,930,781	\$ 414,618,426	\$ 54,088,264
Total	\$ 587,345,772	\$ 614,138,560	\$ 1,201,484,332	\$ 142,441,118

Estimated Cost to Fund All Institutions at “Full” ERS Premium Rate

	2018	2019	Biennium	Increase/(Decrease) from Recommendations
UT (100%)	\$ 294,521,239	\$ 307,958,474	\$ 602,479,713	\$ 142,998,245
TAMU (100%)	\$ 148,480,173	\$ 155,254,435	\$ 303,734,608	\$ 64,703,024
ERS – IHE (100%)	\$ 227,178,705	\$ 237,539,197	\$ 464,717,902	\$ 104,187,740
Total	\$ 670,180,117	\$ 700,752,106	\$ 1,370,932,223	\$ 311,889,009

**Higher Education Employees Group Insurance Contributions
Rider Highlights - Senate**

Modification of Existing Riders

6. **Appropriations Transfers.** Recommendations delete the subsection of the rider that provided authority for The University of Texas Health Science Center at San Antonio to transfer appropriations to The University of Texas Rio Grande Valley (UTRGV) for the purpose of funding group insurance for employees of UTRGV School of Medicine because this authority is no longer necessary since UTRGV School of Medicine employees are included in UTRGV higher education group insurance group insurance as of December 2016.

**Higher Education Employees Group Insurance Contributions
Funding Changes and Recommendations - Senate, by Strategy -- ALL FUNDS**

Strategy/Goal	2016-17 Base	2018-19 Recommended	Biennial Change	% Change	Comments
UT - ARLINGTON A.1.1	\$28,770,762	\$26,217,319	(\$2,553,443)	(8.9%)	
UT - AUSTIN A.1.2	\$61,289,874	\$61,047,411	(\$242,463)	(0.4%)	
UT - DALLAS A.1.3	\$17,908,561	\$18,276,347	\$367,786	2.1%	
UT - EL PASO A.1.4	\$31,758,039	\$26,421,197	(\$5,336,842)	(16.8%)	
UT - RIO GRANDE VALLEY A.1.5	\$26,995,904	\$32,358,002	\$5,362,098	19.9%	
UT - PERMIAN BASIN A.1.6	\$4,227,718	\$5,094,651	\$866,933	20.5%	
UT - SAN ANTONIO A.1.7	\$29,455,424	\$27,551,934	(\$1,903,490)	(6.5%)	
UT - TYLER A.1.8	\$7,991,668	\$8,566,021	\$574,353	7.2%	
UT SW MEDICAL A.1.9	\$34,752,075	\$34,228,841	(\$523,234)	(1.5%)	
UTMB - GALVESTON A.1.10	\$107,685,205	\$112,551,204	\$4,865,999	4.5%	
UTHSC - HOUSTON A.1.11	\$45,986,716	\$43,343,137	(\$2,643,579)	(5.7%)	
UTHSC - SAN ANTONIO A.1.12	\$39,630,871	\$40,292,830	\$661,959	1.7%	
UT MD ANDERSON A.1.13	\$13,783,119	\$15,859,525	\$2,076,406	15.1%	
UT HEALTH SCIENCE CENTER - TYLER A.1.14	\$9,078,594	\$7,702,844	(\$1,375,750)	(15.2%)	
UT SYSTEM ADMINISTRATION A.1.16	\$166,938	\$0	(\$166,938)	(100.0%)	
Total, Goal A, STATE CONTRIBUTION, UT SYSTEM	\$459,481,468	\$459,511,263	\$29,795	0.0%	Contributions for The University of Texas and Texas A&M University System are based on the same annual premium growth assumptions (cost growth of 4.57 percent in fiscal year 2018 and 4.56 percent in fiscal year 2019) used for the Employees Retirement System health insurance recommendations.
TEXAS A&M UNIVERSITY B.1.1	\$72,596,739	\$71,275,403	(\$1,321,336)	(1.8%)	
A&M SYSTEM HEALTH SCIENCE CENTER B.1.2	\$17,009,546	\$15,602,489	(\$1,407,057)	(8.3%)	
A&M - GALVESTON B.1.3	\$3,531,206	\$3,830,891	\$299,685	8.5%	
PRAIRIE VIEW A&M B.1.4	\$11,271,218	\$11,022,906	(\$248,312)	(2.2%)	
TARLETON STATE UNIVERSITY B.1.5	\$9,684,335	\$10,218,270	\$533,935	5.5%	
A&M - CORPUS CHRISTI B.1.6	\$11,094,502	\$10,603,951	(\$490,551)	(4.4%)	
TEXAS A&M UNIVERSITY- CENTRAL TEXAS B.1.7	\$1,663,644	\$1,818,215	\$154,571	9.3%	
TEXAS A&M UNIVERSITY - SAN ANTONIO B.1.8	\$2,769,812	\$3,215,571	\$445,759	16.1%	
A&M - KINGSVILLE B.1.9	\$9,566,800	\$9,185,829	(\$380,971)	(4.0%)	

**Higher Education Employees Group Insurance Contributions
Funding Changes and Recommendations - Senate, by Strategy -- ALL FUNDS**

Strategy/Goal	2016-17 Base	2018-19 Recommended	Biennial Change	% Change	Comments
A&M - INTERNATIONAL B.1.10	\$5,360,782	\$5,678,805	\$318,023	5.9%	
WEST TEXAS A&M B.1.11	\$9,278,656	\$9,679,632	\$400,976	4.3%	
TEXAS A&M UNIVERSITY - COMMERCE B.1.12	\$13,439,702	\$12,180,407	(\$1,259,295)	(9.4%)	
TEXAS A&M UNIVERSITY - TEXARKANA B.1.13	\$3,368,790	\$3,362,427	(\$6,363)	(0.2%)	
A&M - AGRILIFE RESEARCH B.1.14	\$18,796,393	\$18,162,510	(\$633,883)	(3.4%)	
A&M - AGRILIFE EXTENSION B.1.15	\$31,589,960	\$28,050,791	(\$3,539,169)	(11.2%)	
A&M - ENG EXPERIMENT STATION B.1.16	\$4,943,462	\$4,896,725	(\$46,737)	(0.9%)	
A&M - TRANSPORTATION INSTITUTE B.1.17	\$2,438,205	\$2,334,484	(\$103,721)	(4.3%)	
A&M - ENG EXTENSION SERVICE B.1.18	\$1,280,502	\$1,220,076	(\$60,426)	(4.7%)	
TEXAS A&M FOREST SERVICE B.1.19	\$8,032,998	\$8,283,682	\$250,684	3.1%	
A&M - VET MEDICAL DIAGNOSTIC LAB B.1.20	\$1,194,598	\$1,035,319	(\$159,279)	(13.3%)	
A&M SYSTEM ADMINISTRATION B.1.21	\$119,734	\$0	(\$119,734)	(100.0%)	
Total, Goal B, STATE CONTRIBUTION, A&M SYSTEM	\$239,031,584	\$231,658,383	(\$7,373,201)	(3.1%)	All Higher Education Employees Group Insurance (HEGI) contributions are General Revenue Fund 001, except for the Texas A&M Forest Service, which in addition to Fund 001 appropriations, also receives HEGI contributions paid out of the Insurance Company Maintenance Tax Fees and Insurance Department Fund 8042 (\$2.6 million for fiscal year 2018 and \$2.7 million in fiscal year 2019).
UNIVERSITY OF HOUSTON C.1.1	\$36,250,495	\$32,261,300	(\$3,989,195)	(11.0%)	
UH - CLEAR LAKE C.1.2	\$7,614,764	\$7,782,471	\$167,707	2.2%	
UH - DOWNTOWN C.1.3	\$6,252,990	\$6,273,087	\$20,097	0.3%	
UH - VICTORIA C.1.4	\$4,197,930	\$3,583,418	(\$614,512)	(14.6%)	
UH SYSTEM ADMINISTRATION C.1.5	\$685,856	\$617,510	(\$68,346)	(10.0%)	
LAMAR UNIVERSITY C.1.6	\$17,403,782	\$20,060,050	\$2,656,268	15.3%	
LAMAR INSTITUTE OF TECHNOLOGY C.1.7	\$2,368,005	\$2,843,791	\$475,786	20.1%	
LAMAR STATE COLLEGE - ORANGE C.1.8	\$2,208,320	\$2,691,434	\$483,114	21.9%	
LAMAR STATE COLLEGE - PORT ARTHUR C.1.9	\$3,372,348	\$3,018,443	(\$353,905)	(10.5%)	
ANGELO STATE UNIVERSITY C.1.10	\$10,620,795	\$11,063,847	\$443,052	4.2%	
SAM HOUSTON STATE UNIV C.1.11	\$17,505,331	\$16,150,781	(\$1,354,550)	(7.7%)	

**Higher Education Employees Group Insurance Contributions
Funding Changes and Recommendations - Senate, by Strategy -- ALL FUNDS**

Strategy/Goal	2016-17 Base	2018-19 Recommended	Biennial Change	% Change	Comments
TEXAS STATE UNIVERSITY C.1.12	\$29,879,143	\$29,195,658	(\$683,485)	(2.3%)	
SUL ROSS STATE UNIVERSITY C.1.13	\$5,577,370	\$5,357,044	(\$220,326)	(4.0%)	
SUL ROSS STATE-RIO GRANDE COLLEGE C.1.14	\$728,866	\$705,083	(\$23,783)	(3.3%)	
TEXAS STATE SYSTEM ADMIN C.1.15	\$255,254	\$233,744	(\$21,510)	(8.4%)	
MIDWESTERN STATE UNIV C.1.16	\$7,151,182	\$7,280,760	\$129,578	1.8%	
UNIVERSITY OF NORTH TEXAS C.1.17	\$31,788,415	\$30,391,929	(\$1,396,486)	(4.4%)	
UNIVERSITY OF NORTH TEXAS AT DALLAS C.1.18	\$2,006,078	\$3,492,481	\$1,486,403	74.1%	
UNT HEALTH SCIENCE CENTER C.1.19	\$14,115,875	\$14,611,686	\$495,811	3.5%	
STEPHEN F. AUSTIN C.1.20	\$14,742,896	\$14,421,353	(\$321,543)	(2.2%)	
TEXAS SOUTHERN UNIVERSITY C.1.21	\$11,326,290	\$11,417,734	\$91,444	0.8%	
TEXAS TECH UNIVERSITY C.1.22	\$41,327,808	\$42,826,945	\$1,499,137	3.6%	
TEXAS TECH HEALTH SCI CTR C.1.23	\$37,155,363	\$40,373,275	\$3,217,912	8.7%	
TEXAS TECH HSC EL PASO C.1.24	\$9,337,099	\$10,027,468	\$690,369	7.4%	
TEXAS WOMAN'S UNIVERSITY C.1.25	\$16,068,552	\$15,626,863	(\$441,689)	(2.7%)	
TSTC - HARLINGEN C.1.26	\$4,738,330	\$5,010,025	\$271,695	5.7%	
TSTC - WEST TEXAS C.1.27	\$2,366,602	\$2,131,630	(\$234,972)	(9.9%)	
TSTC - WACO C.1.28	\$6,473,290	\$6,044,360	(\$428,930)	(6.6%)	
TSTC - MARSHALL C.1.29	\$1,394,700	\$1,002,162	(\$392,538)	(28.1%)	
TSTC - FT. BEND C.1.30	\$0	\$626,058	\$626,058	100.0%	
TSTC - NORTH TEXAS C.1.31	\$0	\$306,075	\$306,075	100.0%	
TSTC - SYSTEM ADMIN C.1.32	\$9,166,819	\$16,538,727	\$7,371,908	80.4%	
UNIV OF NORTH TEXAS SYSTEM ADMIN C.1.33	\$4,988,762	\$2,427,524	(\$2,561,238)	(51.3%)	
TEXAS SOUTHMOST COLLEGE C.1.34	\$0	\$0	\$0	0.0%	
TEXAS TECH UNIVERSITY SYSTEM ADMIN C.1.35	\$1,460,852	\$1,478,852	\$18,000	1.2%	
PUB COMMUNITY / JR COLLEGES C.1.36	\$318,843,856	\$365,283,337	\$46,439,481	14.6%	
Total, Goal C, STATE CONTRIBUTION, ERS	\$679,374,018	\$733,156,905	\$53,782,887	7.9%	
Grand Total, All Strategies	\$1,377,887,070	\$1,424,326,551	\$46,439,481	3.4%	